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Testimony

of Drew Greenblatt

President and Owner

Marlin Steel Wire Products, LLC

on behalf of the National Association of Manufacturers

before the Subcommittees on Energy and Power and

Commerce, Manufacturing and Trade

of the Committee on Energy and Commerce

U.S. House of Representatives

“U.S. Energy Abundance: Manufacturing Competitiveness and America’s Energy
Advantage”

June 20, 2013



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Chairmen Whitfield and Terry, Ranking Members Rush and Schakowsky, and members of the Subcommittees on Energy and Power and Commerce, Manufacturing and Trade, thank you for the opportunity to testify before you at today’s hearing, “U.S. Energy Abundance: Manufacturing Competitiveness and America’s Energy Advantage.”

My name is Drew Greenblatt, and I am president and owner of Marlin Steel Wire Products, LLC, based in Baltimore, Maryland. Marlin Steel Wire is a leading manufacturer of custom wire baskets, wire forms and precision sheet metal fabrication assemblies—all produced entirely in the United States. The

customers for our material-handling solutions come from pharmaceutical, medical, industrial, aerospace and automotive industries all over the world. We export to 36 countries. Twenty percent of Marlin Steel Wire's employees are mechanical engineers. Like so many other manufacturers in the United States that compete in a global economy, Marlin Steel Wire succeeds through innovation, investment and the hard work of our dedicated employees. The innovative ideas from the engineering team propel Marlin Steel Wire to success.

I am pleased to testify on behalf of the National Association of Manufacturers (NAM). I serve as a member of the NAM Board of Directors and as a member of its Executive Committee. The NAM is the nation's largest manufacturing trade association, representing 12,000 member companies consisting of small and large manufacturers in every industrial sector and state. As the voice of the 12 million men and women who work in manufacturing in the United States, the NAM is committed to achieving a policy agenda that helps manufacturers grow and create jobs.

The United States is the world's largest manufacturing economy, producing 18.2 percent of global manufactured products. Manufacturing in the United States alone makes up 12.2 percent of our nation's GDP. More importantly, manufacturing supports an estimated 17.2 million jobs in the United States—about one in six private-sector jobs. And these jobs are high paying. In 2011, the average manufacturing worker in the United States earned \$77,060 annually, including pay and benefits—28 percent more than the rest of the workforce.

When I bought Marlin Steel Wire Products in 1998, we had about \$800,000 in sales and 18 workers. Last year was our most successful one as a business, with more than \$5 million in sales. Today, we employ 29 people. One of the primary factors for our recent achievements has been the dramatic increase in domestic energy production and lower energy prices. There has been a lot of talk about economic growth from the shale boom in parts of North Dakota, Ohio, Pennsylvania and Texas, where new energy production is taking place, but some of the greatest benefits are filtering down to conventional factories across America, like mine. Manufacturers across the country are benefitting from lower energy prices and increased industrial activity driven by domestic energy production. We fulfill many orders for the gas industry.

Lower Energy Prices

Increased production of unconventional oil and natural gas is causing a quantum shift in U.S. energy markets, leading to lower, more stable energy prices. Energy is the lifeblood of U.S. manufacturing and even the slightest competitive advantage in the price of energy can make an enormous difference for companies that compete globally. Like all manufacturers, we benefit from the decreased production costs attributable to lower energy prices. Perhaps the most notable impact to a company like mine from lower energy costs is the benefit it brings to our customers: other manufacturers.

Lower energy prices have made many of our U.S.-based customers more competitive in the global economy, causing an increase in domestic demand for

their products. As their orders increase, so do ours. Manufacturers across the country are expanding production and winning contracts that, even a few years ago, they had little chance of competing for as foreign companies produced goods at lower costs. Now, it is U.S. manufacturers who find themselves able to produce more for less, and it is our competitors who are scrambling to keep up. More expansion and new orders for U.S. manufacturers have translated to more jobs and an improving economy, and for my company, more business. We have expanded our payroll and invested in high-tech equipment to keep up with the steady increase in orders from other U.S. manufacturers. Much of this success is attributable to the competitive advantage our customers are experiencing from lower energy prices.

While Marlin Steel Wire Products has already realized significant benefits from a U.S. manufacturing resurgence, I believe this is only the beginning. To date, much of the increased output from our manufacturing customers is attributable to ramping up production at existing plants. What we are starting to see now is the next evolutionary step from sustained low-cost energy: investments in new facilities by companies looking to increase capacity. Lower energy prices are bringing companies from around the world back to American soil, and with them, a surge of U.S. economic activity.

Energy prices have been a disadvantage for U.S. manufacturers at times, but now, because of the increased production of oil and gas and a commitment to an all-of-the-above energy policy, we are uniquely positioned for a manufacturing resurgence.

Energy Production

Along with the benefits of lower energy costs, expanded production of oil and gas is benefitting manufacturers throughout the production supply chain who make the extraction of energy resources possible. In December 2011, PricewaterhouseCoopers (PwC), with support from the NAM, released the report “Shale Gas: A renaissance in U.S. manufacturing?” PwC found that full and robust development of U.S. shale gas resources could create one million new manufacturing jobs by 2025. PwC also concluded that the benefits of shale gas would extend throughout the production supply chain. According to PwC, companies that sell drilling and power equipment were likely to experience a growth in sales. The same applied to companies that supply steel pipe and other materials for drilling equipment. Marlin Steel Wire Products, which serves customers in all of these industries, is also part of the oil and gas supply chain and a beneficiary of increased U.S. oil and gas production.

Other independent studies have made similar findings. The independent global energy research firm IHS CERA predicts that production of unconventional oil and natural gas resources will lead to \$5 trillion in new capital investments and support 3.5 million jobs by 2035.¹ These economic benefits are not limited to the oil and gas sectors; about 80 percent of the jobs created will be the indirect or induced jobs generated from oil and gas production. Manufacturers of oil and gas machinery will need to increase their work forces to fill an uptick in orders, as will

¹ Fullenbaum, Richard, and John Larson, *America's New Energy Future: The Unconventional Oil and Gas Revolution and the U.S. Economy*, December 2012, available at <http://www.ihs.com/info/ecc/a/americas-new-energy-future.aspx>.

the makers of pumps and compressors for that machinery. In turn, the fabricators of metal and steel will also have to hire.

How the Boom Has Helped Marlin Steel

Marlin Steel has benefitted from the recent natural gas boom through lower costs and higher revenues. The price we're paying for natural gas to heat our plant in Baltimore is down 50 percent from the peak a few years ago; it was actually down 75 percent from the peak not too long ago.

We are also selling material-handling solutions from steel wire and sheet metal to clients directly involved in developing and extracting these sources of energy, companies such as Schlumberger, Halliburton, Timken and Caterpillar. The increase in activity has helped us become the 162nd fastest-growing private manufacturer in the country last year, according to Inc. magazine.

We are aware of fellow manufacturers who are similarly benefitting. Ellicott Dredges, a manufacturer located about a mile from us that President Obama visited last month, is building a dredge for a Canadian oil sands environmental project. A new steel pipe factory to serve the natural gas industry is being built in Youngstown, Ohio. When was the last time we built a new steel factory in Youngstown? The energy boost is contributing to our own purchases of steel from Indiana and Pennsylvania, to our need to add overtime for our workers in Baltimore and to our ability to invest in additional automation from robot makers in Illinois and Connecticut to bend wire and cut and shape sheet metal.

Conclusion

Abundant, low-cost energy is changing the landscape of the global marketplace, well positioning U.S. manufacturers for years to come. We are increasing production, expanding our customer bases around the globe and hiring more workers. Those workers buy stuff. With continued production and the right policies in place, U.S. manufacturers will continue to be the drivers of economic growth and prosperity.